

Message Text

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PAGE 01 NEW DE 06878 121543Z

ACTION NEA-10

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FM AMEMBASSY NEW DELHI

TO SECSTATE WASHDC PRIORITY 3367

INFO AMCONSUL BOMBAY

AMCONSUL CALCUTTA

AMCONSUL MADRAS

UNCLAS NEW DELHI 6878

E.O. 11652: N/A

TAGS: ENRG IN

SUBJECT: PRESS REPORTS POSSIBLE PAY OFFS BY PHILLIPS PETROLEUM

1. RECENT DISCLOSURES BY THE SEC HIT THE FRONT PAGES OF SEVERAL INDIAN NEWSPAPERS ON MAY 10, 1977 WHICH INDICATED POSSIBLE PAY OFFS TO INDIAN NATIONALS BY PHILLIPS PETROLEUM IN CONNECTION WITH THE CONSTRUCTION OF THE COCHIN REFINERY IN THE 1960S.

2. ACCORDING TO PRESS REPORTS "DETAILS OF THE GRAND JURY JUDGEMENT AT TULSA, OKLAHOMA STATE RELATING TO TAX EVASION BY PHILLIPS PETROLEUM CO., THE CONTRACTOR AND ONE-FOURTH OWNER OF THE COCHIN REFINERY, HAVE ONLY RECENTLY BECOME AVAILABLE IN THIS COUNTRY. NEWS ABOUT THE CASE AND THE JUDGMENT WAS EARLIER CENSORED".

3. "TWO RELATED EVENTS INDICATE THAT THE COMPANY BROKE AMERICAN LAW IN ORDER TO MAKE THE MILLION DOLLAR PAYMENTS TO SECURE ITS DEAL WITH COCHIN REFINERIES LTD., ON TERMS WHICH THE ESTIMATES COMMITTEE OF THE FOURTH LOK SABHA LATER CRITICISED IN THE STRONGEST POSSIBLE WORDS".

UNCLASSIFIED

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PAGE 02 NEW DE 06878 121543Z

4. THE PRESS STATES THAT ONE EVENT WAS FOR TAX EVASION OF DOLS3 MILLION, WHICH PHILLIPS HAD PLACED IN NUMBERED SWISS BANK ACCOUNTS, AND THE SECOND WAS SUBSEQUENT CHARGES BY SEC IN 1975 ON MUCH THE SAME GROUNDS AS THE TULSA GRAND JURY INDICTMENT. IT GOES ON TO SAY THAT IN A SPECIAL REPORT TO ITS STOCKHOLDERS EXPLAINING THE COMPANY'S POSITION THE "INVESTIGATIONS CONFIRMED

THE EXISTENCE OF A DOLS2.8 MILLION "SLUSH FUND" WHICH HAD COME FROM FOREIGN TRANSACTIONS NEGOTIATED IN 1963 AND 1964. A SUBSIDIARY OF THE COMPANY HAD CONTRACTED, FOR A FIXED PRICE, TO CONSTRUCT A PETROLEUM FACILITY ABROAD." PHILLIPS IS REPORTED TO HAVE PAID DOLS1,258,000 TO FOREIGN ASSOCIATES IN THE CONSTRUCTION PROJECT FOR SERVICES RENDERED. HOWEVER THE PRESS REPORTS THAT "ALTHOUGH NO MORE DETAILS WERE GIVEN, THIS STRONGLY SUGGESTED THE COCHIN REFINERY FOR WHICH THE CONTRACT WAS SIGNED BETWEEN COCHIN REFINERIES LTD. AND PHILLIPS PETROLEUM CO. ON APRIL 27, 1964. CONSTRUCTION STARTED IN 1964 AND THE REFINERY CAME ON STREAM IN 1967".

5. THE PRESS ALSO POINTS OUT THAT "UNDER THE AMERICAN LAW, IF THE NAMES OF THOSE WHO RECEIVED THE MONEY WERE GIVEN BY PHILLIPS PETROLEUM TO THE TULSA GRAND JURY, THEN THE INDIAN GOVERNMENT CAN MAKE AN OFFICIAL REQUEST AND OBTAIN THESE NAMES".

6. ACCORDING TO THE PRESS, THE COST OF THE REFINERY CAME TO RS. 277 MILLION INCLUDING RS. 170 MILLION IN FOREIGN EXCHANGE. PHILLIPS REPORTEDLY ALSO RECEIVED DOLS9 MILLION OVER A 15 YEAR-PERIOD FOR TECHNICAL SERVICES WHICH THE ESTIMATES COMMITTEE CONSIDERED TO BE A SUBSTANTIAL FOREIGN EXCHANGE DRAIN. IN ADDITION, PHILLIPS REPORTEDLY BENEFITED AS A MAJOR SHAREHOLDER FROM THE REFINERY'S EXCESSIVE PROFIT MARGIN AND FROM A CONTRACT TO SUPPLY CRUDE OIL FOR FOUR YEARS AT A PRICE OF DOLS0.20 PER BARREL ABOVE THE GOING RATE.

7. THE GOI HOLDS 52.8 PERCENT EQUITY IN THE COCHIN REFINERIES LTD., PHILLIPS PETROLEUM CO. 26.4 PERCENT, DUNCAN BROTHERS UNCLASSIFIED

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PAGE 03 NEW DE 06878 121543Z

AND CO. 2 PERCENT WITH THE BALANCE HELD BY THE KERALA STATE GOVERNMENT, THE LIFE INSURANCE CORP. OF INDIA AND THE PUBLIC. SCHNEIDER

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